LEOFF Plan 2 Service Credit Purchase Example Calculation

A LEOFF Plan 2 member is retiring at age 53 with 20 years of service and a Final Average Salary of $5,000 per month. The member purchases five years of service credit.

1. Calculate Base Benefit:

$2\% \times 20$ YOS $\times \$5,000 = \$2,000$ per month

2. Calculate Benefit With Additional 5 Years Of Service Credit:

$2\% \times 25$ YOS $\times \$5,000 = \$2,500$ per month

3. Calculate Increase in Monthly Benefit from Additional Service Credit:

$2,500 - $2,000 = $500 increase per month

4. Calculate Service Credit Purchase Cost:

$\$500 \div 0.0057042^{*} = \$87,654$

LEOFF Plan 2 Annuity Purchase Example Calculations

A LEOFF Plan 2 member is retiring at age 53 with 20 years of service and a Final Average Salary of $5,000 per month. The member has $50,000 in a deferred compensation account which they will use to buy an annuity.

1. Calculate Base Benefit:

$2\% \times 20$ YOS $\times \$5,000 = \$2,000$ per month ($24,000 per year)

2. Calculate Benefit Increase from a $50,000 Annuity Purchase:

$\$50,000 \times 0.0057042^{*} = \$285.21$ increase per month

3. Calculate New Benefit (Base Benefit *plus* Annuity):

$2,000 + $285.21 = $2,285.21 per month ($27,422.52 per year)

The increase in the annual benefit from $24,000 to $27,422.52 is the approximate equivalent of the member retiring with an additional 2 years and ten months of service.

4. Calculate Benefit Increase from an $87,654 Annuity Purchase

The annuity purchase and the service credit purchase use the same actuarial factors so they are mathematically equivalent. For instance, the member would receive a $500 increase in their monthly benefit from an annuity purchase of $87,654[†]. As shown in the service credit purchase example, this is the same amount that the member would pay to purchase 5 years of service credit and receive a $500 per month benefit increase.

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[*] The factor for the "Monthly benefit per $1.00 of accumulation for defined benefit plans" for an age 53 LEOFF Plan 2 member as found in WAC 415-02-340 is 0.0057042.
[†] $\$87,654 \times 0.0057042^{*} = \$500$ increase per month